

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

OIC-02 /108 W

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R 161845Z JUL 76

FM USMISSION GENEVA

TO SECSTATE WASHDC 1255

INFO USMISSION EC BRUSSELS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: GATT ETRD

SUBJECT: NFDM DISCUSSION AT JULY 15 GATT COUNCIL

REFS: A STATE 172159 D STATE 175087 C GENEVA 5635

1. IN RESPONSE TO US PRESENTATION ON THE C'S NFDM MIXING REGULATION (SEE REFTELS), LYTEN(3:) STATED THAT THE ISSUE AT STAKE HAS TWO ASPECTS: THE US IS ASKING ON THE ONEHAND FOR A PANEL CONCERNING THE EC'S MIXING REGULATION FOR NFDM; ON THE OTHER HAND, THE US ALSO SPOKE OF THE EC' COMMISSION PROPOSAL FOR A TAX ON FATS AND OILS.

2. AS REGARDS THE EC'S MIXING REGULATION ON NFDM, THE EC'S POSITION MUST BE SEEN IN CONNECTION WITH THE DIFFICULTIES THE EC EXPERIENCES IN THE DAIRY SECTOR. THE EC IS A LARGE-SCALE IMPORTER OF OIL-BEARING MATERIALS, ITS DEGREE OF SELF-SUFFICIENCY IN PROTEIN BEING ONLY 15 PERCENT. THE EC IS ENDEAVORING TO DISPOSE OF ITS NFDM

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SURPLUSES THRU INCREASING FOOD AID TO 200,000 TONS AND THRU

SUBSIDIZATION OF NFDM FOR USE AS CALF FEED. MOREOVER, A STOCKING MECHANISM FOR OIL SEEDS HAS BEEN ESTABLISHED WHICH MAY REACH 250,000 TONS. THE SITUATION WITH REGARD TO NFDM IN THE EC IS EVOLVING.

THE EC AIMS AT DISPOSING OF 400,000 TONS OF NFDM. AT PRESENT ALMOST 200,000 TONS HAVE BEEN DISPOSED OF AND IN RECENT DAYS THERE HAS BEEN AN ACCELERATION OF CONTRACTS. IN THIS CONTEXT, ACCOUNT HAS ALSO TO BE TAKEN OF THE RECENT INCREASE IN THE PRICE OF SOYBEAN MEAL TO \$200 A TON WHEREAS NFDM PRICES HAVE REMAINED STABLE. THE SITUATION MUST ALSO BE CONSIDERED IN THE LIGHT OF DROUGHT CONDITIONS IN EUROPE AND RECENT DEVELOPMENTS ON THE WORLD MARKET. THERE HAVE BEEN HEAVY SALES OF SOYBEANS TO RUSSIA. BRAZIL HAS REPORTEDLY ISSUED AN EXPORT PROHIBITION FOR SOYBEANS AND THERE IS ALSO AN EMBARGO ON THE EXPORT OF FISH MEAL. ALL THESE FACTORS WILL FAST CHANGE THE OUTLOOK IN THE NFDM SECTOR. THE GATT ARRANGEMENT FOR DAIRY PRODUCTS DEALS WITH THESE PROBLEMS BUT UNFORTUNATELY NOT ALL MAJOR PRODUCERS OR IMPORTERS PARTICIPATE IN THIS AGREEMENT.

3. AS REGARDS THE JURIDICAL ASPECTS OF THE US REQUEST FOR A PANEL, LUYTEN SAID THAT HE COULD NOT EXACTLY FOLLOW THE US ARGUMENT AND DOES NOT UNDERSTAND ALL THE LEGAL POINTS THAT THE US MADE. THE EC THEREFORE HAS TO RESERVE ITS POSITION ON THIS POINT. AS REGARDS THE REQUEST FOR A NEW PANEL, IT IS APPROPRIATE TO REMEMBER DISCUSSIONS CONCERNING THE SETTING UP OF OTHER PANELS. WHEN THE US REQUESTED A PANEL FOR MIP'S, IT GAVE THE CONTRACTING PARTIES ONLY 24 HOURS' ADVANCE NOTICE. AS REGARDS THE US REQUEST FOR A PANEL ON NFDM NO ADVANCE NOTICE WHATSOEVER HAS BEEN GIVEN.

4. AS REGARDS THE EC PROPOSAL FOR A TEZ ON FATS AND OILS, IT SHOULD BE REMEMBERED THAT THIS PROPOSAL IS PART OF A LARGER WHICH ARE NOT YET LAW IN THE GATT. SPEAKING ON BEHALF OF THE COMMISSION, LUYTEN SAID THE PROPOSAL FOR A FATS AND OIL TAX IS AN INTERNAL AFFAIR OF THE COMMUNITY.

5. THE CHAIR THEN STATED THAT IT BELIEVES THAT THE EC HAS TAKEN NOTE OF THE US PROPOSAL FOR A PANEL ON THE EC'S NFDM MIXING REGULATION AND THAT IT WILL REVERT TO THIS PROPOSAL IN THE FUTURE.

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THE CHAIR ASKED WHETHER THIS IS AGREEABLE TO THE US.

6. THE US EXPRESSED AGREEMENT WITH A PREVIOUS EMARK MADE BY ISRAEL CONCERNING THE VIRTUALLY AUTOMATIC NATURE OF ARTICLE XXIII:2 CALLING FOR PROMPT INVESTIGATION OF A COMPLAINT MADE BY A CONTRACTING PARTY WHICH FEELS ITS RIGHTS TO BE IMPAIRED. HE RECOGNIZED HOWEVER THAT IT WAS ONLY TODAY THAT THE US HAS MADE SUCH A REQUEST. HE FELT IT WOULD BE DESIRABLE THAT THE US

REQUEST BE DEALT WITH PROMPTLY BUT SAID THAT WE ARE IN THE HANDS OF THE CHAIR. THE EC STATED TI NEEDS SOMETIME TO EXAMINE THIS REQUEST AND ALLUDED TO THE POSSIBILITY THAT IT WOULD REACT TO IT ONLY IN THE FALL.

7. THE US THEN STATED THAT IT RESERVES THE RIGHT TO FALL A SPECIAL COUNCIL MEETING AT AN EARLIER DATE TO DEAL WITH ITS REQUEST. THE CHAIRMAN SAID THE COUNCIL WOULD TAKE NOTE OF THE US REQUEST AND TAKE INTO ACCOUNT THE US RESERVING THE RIGHT TO ASK FOR A SPECIAL COUNCIL MEETING.

8. WE STRONGLY URGE WASHINGTON NOT TO INSIST ON AN EARLY SPECIAL MEETING OF THE COUNCIL. FIRSTLY, MOST KEY DELS WILL BE ABSENT UNTIL SEPTEMBER AND THEREFORE IT WOULD BE DIFFICULT TO GET A HEARING FROM APPROPRIATELY RESPONSIBLE FOREIGN OFFICIALS. SECON, THIS TYPE OF PRESSURE WILL PROBABLY CAUSE THE EC TO DIG IN FIRTHEER. WE FEEL IT WOULD BE MORE EXPEDITIOUS TO WORK OUT THE TERMS OF REFERENCE OF THE REQUESTED PANEL BILATERALLY WITH EC.DALE

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